

Legislative Bulletin.....September 23, 2004

Contents:

H.R. 1308—Conference Report for the All-American Tax Relief Act

H.R. 1308—Conference Report for the All-American Tax Relief Act (Thomas)

Please note that because the actual text of the conference report was not made available as of noon on the day of floor consideration, this Legislative Bulletin is based on media and committee reports—not an actual conference report text. We apologize for this deviation from standard RSC practice.

Order of Business: The conference report is scheduled to be considered today—Thursday, September 23rd, subject to a rule.

Summary: The conference report for H.R. 1308, according to reports, would primarily:

- extend through the end of 2010 the relief from the marriage penalty in the marginal income tax brackets;
- extend through the end of 2010 the expanded 10% income tax bracket;
- extend through the end of 2010 the increased child tax credit;
- accelerate (from the beginning of 2005) to the beginning of 2004 the increased refundability rate for the child tax credit;
- extend through the end of 2005 the increased exemption amounts under the Alternative Minimum Tax (AMT); and
- extend a variety of smaller, expiring tax provisions.

Without the H.R. 1308 conference report (or similar legislative action), on the first day of 2005:

- The child tax credit will decrease from \$1,000 to \$700.

- The standard deduction for couples as a percentage of the standard deduction for singles will decrease from 200% to 174%--reinstating the marriage penalty.
- The top end of the 15% marginal income tax bracket for couples as a percentage of the top end for singles will decrease from 200% to 174%--reinstating the marriage penalty.
- The 10% marginal income tax bracket will contract from covering the first \$7,000 of income for singles and \$14,000 for joint filers to covering only the first \$6,000 of income for singles and \$12,000 for joint filers.
- The exemption for the Alternative Minimum Tax (AMT) will decrease from \$40,250 to \$33,750 for single filers and from \$58,000 to \$45,000 for married couples filing jointly.

Additionally, reports indicate that the conference report would:

- increase the child credit for military families by allowing them to include tax-free combat pay when calculating their refundable child credit;
- increase the Earned Income Credit (EIC) for military families in 2004 and 2005 by allowing them to include combat pay when calculating the EIC; and
- implement a uniform definition of “child” for the EIC, the child tax credit, the dependent care credit, and other provisions (having the reported effect of saving taxpayers money).

Lastly, the Ways & Means Committee reports that the conference report would extend through the end of 2005 the following tax provisions that expired in 2003:

- Research and development tax credit;
- Mental health parity;
- Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit;
- Qualified Zone Academy Bonds;
- Higher limit on the cover over of rum excise taxes to Puerto Rico and the Virgin Islands;
- Deduction for computer donations;
- \$250 deduction for teacher classroom expenses;
- Expensing of “Brownfields” environmental remediation costs;
- Authority to issue New York Liberty Zone bonds (extended through 2009);
- Advance refunding of Liberty Zone bonds;
- Tax incentives for investment in the District of Columbia;
- Combined employment tax reporting demonstration project;
- Nonrefundable tax credits against the AMT;
- Tax credit for electricity produced from renewable sources;
- Suspension of 100% of taxable income limit with respect to marginal production;
- Indian employment tax credit;

- Accelerated depreciation for business property on Indian reservations;
- Disclosure of tax return information for student loan repayment administration;
- Tax credit for electric vehicles;
- Deduction for clean-fuel vehicles;
- Archer Medical Savings Accounts;
- Disclosures relating to terrorist activities; and
- Joint Committee on Taxation report and joint hearing on IRS strategic plans.

Additional Background: To view the RSC Legislative Bulletin on H.R. 1308 as it last passed the House, visit this website: <http://johnshadegg.house.gov/rsc/LB61203A.pdf>

Committee Action: The conference committee concluded its work last night, September 22nd.

Administration Position: The Bush Administration supports the permanent extension of all of the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 and subsequent tax cuts.

Cost to Taxpayers: Although a Joint Committee on Taxation revenue analysis is not yet available, media reports and the Ways & Means Committee indicate that the conference report would save taxpayers \$146.7 billion over the next ten years. The conference report would also increase mandatory spending (for “refundable” credits) by a currently-unknown amount.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Constitutional Authority: Although a committee report citing constitutional authority has never been filed for this legislation, Article I, Section 8, Clause 1 of the Constitution grants Congress the “power to lay and collect taxes, duties, imposts and excises....” Additionally, the 16th Amendment grants Congress the “power to lay and collect taxes on incomes, from whatever source derived....”

Outside Organizations: Americans for Tax Reform has announced that it is strongly supporting this legislation and will consider key-voting today’s vote in its annual ratings of Members of Congress.

RSC Staff Contact: Paul S. Teller, paul.teller@mail.house.gov, (202) 226-9718

Subsequent information the RSC sent out at 2:51pm on September 23, 2004:

Update on H.R. 1308--All-American Tax Relief Act Conference Report:

After reviewing the actual text of the conference report and the revenue estimate from the Joint Committee on Taxation, a few points are worth noting:

- The substance of the RSC Legislative Bulletin circulated earlier today was accurate.
- The budgetary impacts of the conference report are as follows:

FY05:	Reduces taxes by \$27.055 billion; increases mandatory spending by \$2.126 billion
FY05-FY09:	Reduces taxes by \$112.222 billion; increases mandatory spending by \$20.602 billion
FY05-FY14:	Reduces taxes by \$122.163 billion; increases mandatory spending by \$23.779 billion
- Almost all of the "miscellaneous" extensions (e.g. teacher classroom expenses, electric vehicles, etc.) are for one year (2005).
- The technical corrections (which consume 26 of the 71 pages of the conference report) have no revenue effect.